

**MINUTES  
of the  
THIRD MEETING  
of the  
NEW MEXICO FINANCE AUTHORITY OVERSIGHT COMMITTEE**

**August 13-14, 2015  
Bernalillo Town Hall  
Bernalillo**

The third meeting of the New Mexico Finance Authority (NMFA) Oversight Committee was called to order by Representative Jane E. Powdrell-Culbert, chair, on August 13, 2015 at 10:00 a.m. in the Council Chambers of the Bernalillo Town Hall in Bernalillo.

**Present**

Rep. Jane E. Powdrell-Culbert, Chair  
Sen. Joseph Cervantes, Vice Chair  
Rep. David E. Adkins  
Rep. Sharon Clahchischilliage  
Sen. Lee S. Cotter  
Rep. Candy Spence Ezzell  
Rep. Bealquin Bill Gomez  
Sen. Ron Griggs  
Rep. Patricia A. Lundstrom  
Rep. Stephanie Maez (8/13)  
Sen. Richard C. Martinez  
Sen. Michael Padilla  
Sen. Nancy Rodriguez (8/14)  
Rep. Patricio Ruiloba  
Sen. John C. Ryan  
Sen. William P. Soules

**Absent**

Rep. Dona G. Irwin  
Rep. Andy Nunez  
Rep. Patricia Roybal Caballero  
Rep. Monica Youngblood

**Advisory Members**

Rep. Alonzo Baldonado  
Sen. Sue Wilson Beffort (8/14)  
Sen. Jacob R. Candelaria (8/14)  
Rep. Kelly K. Fajardo  
Rep. Roberto "Bobby" J. Gonzales (8/13)  
Rep. Sarah Maestas Barnes (8/13)  
Sen. John Pinto  
Rep. Debbie A. Rodella  
Rep. Tomás E. Salazar

Rep. George Dodge, Jr.  
Rep. Brian Egolf  
Sen. Stuart Ingle  
Sen. Bill B. O'Neill  
Sen. Mary Kay Papen  
Sen. William H. Payne  
Sen. Clemente Sanchez  
Rep. Sheryl Williams Stapleton  
Rep. Don L. Tripp

(Attendance dates are noted for members not present for the entire meeting.)

**Staff**

Lisa Sullivan, Staff Attorney, Legislative Council Service (LCS)

Jeff Eaton, Fiscal Analyst, LCS

Tessa Ryan, Staff Attorney, LCS

**Guests**

The guest list is in the meeting file.

**Handouts**

Handouts and other written testimony are in the meeting file.

**Thursday, August 13****Welcome**

Jack Torres, mayor, Town of Bernalillo, welcomed the committee to Bernalillo. He noted that he is serving his second term, and is in his fifth year, as mayor. Mayor Torres praised his staff and the community, which, he said, recently celebrated its fiestas to honor San Lorenzo. Mayor Torres added that the town is in the process of buying and renovating for the town's use the former Roosevelt Elementary School.

**NMFA Board Report**

John E. McDermott, chair, NMFA board, and Robert P. Coalter, chief executive officer, NMFA, delivered the July NMFA board report. Mr. McDermott prefaced his remarks by apologizing for his absence at the committee's previous meeting and by providing highlights of his professional background, including that he has been the board chair for almost two years, has experience in public and private finance and private equity investment initiatives and sits on the board of ABQid, a public-private partnership that promotes entrepreneurship. Mr. McDermott expressed gladness that the NMFA managed to rebuild itself following the fraudulent-audit situation and had no findings in its most recent audit. He credited Mr. Coalter and the NMFA staff and described them, as well as the NMFA board, as highly diligent and dedicated to the NMFA.

***Loan, grant and other activity.*** Mr. Coalter reported that, in July, nine NMFA loans closed, and four NMFA grants were made. Five loans were funded through the Public Project Revolving Fund (PPRF), one through the Water Project Fund and three through the Colonias Infrastructure Project Fund. Three of the nine loans were in amounts over \$1 million. The NMFA made three grants from the Local Government Planning Fund (LGPF) and one grant from the Colonias Infrastructure Project Fund. Also in July, the board approved an internal audit plan and a bond banking and loan management system contract.

Mr. Coalter reviewed the NMFA's July statement of net position, its July statement of revenues and expenditures, its operating budget, its loans by type for fiscal year (FY) 2015, its five largest loans for the most recent quarter, its status on the recommendations made in response

to the 2011 fraudulent-audit discovery and its FY 2016 initiatives. He added that: 1) a bond issue had closed the day before; 2) the NMFA's investment revenue increased year over year due to investment changes and overall market improvement; 3) the NMFA is spending its operating revenue at an appropriate rate; 4) the numbers of water and colonias loans have increased from the previous year; 5) implementing a loan servicing system, on which the NMFA is working, remains the only post-fraudulent-audit action not yet completed; 6) a third party is currently overseeing the implementation of that system; and 7) the NMFA expects to submit its audit on time to the state auditor.

### Questions and Discussion

On questioning, the presenters and committee members addressed the following topics.

***Governmental gross receipts tax (GGRT) information.*** The NMFA and the Taxation and Revenue Department (TRD) are discussing how the TRD can share with the NMFA aggregate data about the GGRT. The NMFA needs to use the data to better predict its revenues and inform its bond investors. Despite legislation enacted in the last regular session to allow certain GGRT revenue data to be shared, the TRD expressed to the NMFA continuing concerns about the legality of some aspects of the requested disclosures. NMFA staff agreed to report to the committee on whether those concerns persist. Mayor Torres commented that the TRD's nondisclosure of tax revenues adversely affects local governments, which must finance their operations with limited knowledge of future revenue levels. He asked the committee to support legislation that would bring more transparency to the system of local government tax revenues and distribution.

***Revenues and expenditures.*** NMFA staff members, including Robert Brannon, chief financial officer, who was in the audience, explained that: 1) the Los Alamos County utility project was partially taxable because of a private-ownership element; 2) the GGRT distribution to the NMFA of \$1 million more than previously received contributed to the rise in the NMFA's year-over-year appropriation revenue; 3) the NMFA's GGRT distribution amounts are rising toward their previous levels; 4) increased activity in water and colonias project programs has increased grant revenue; and 5) increased activity in the federal New Markets Tax Credit Program will offset the decline in revenue generated from fees. NMFA staff agreed to follow up with committee members who requested information on: 1) the Mesa Vista Consolidated Schools PPRF loan; and 2) the Bernalillo County Metropolitan Court project refinance — specifically, who will benefit from the refinancing.

### **Town of Bernalillo Capital Projects Funded Through the NMFA**

Mayor Torres and Zach Dillenback, chief lending officer, NMFA, discussed projects that Bernalillo has undertaken with the NMFA's help. Mayor Torres described the NMFA as a valuable partner in those initiatives, most of which made improvements to the town's water systems or public safety. He noted that the town tries to use its resources wisely and comply with heightened federal environmental standards. To that end, the town has undertaken several

projects to treat the arsenic in its water. Mayor Torres cited flood control as a big challenge and flood control measures and insurance as a huge expense.

### Questions and Discussion

On questioning, the presenters, Marquita D. Russel, chief of programs, NMFA, who was in the audience, and committee members addressed the following topics.

***Water projects.*** Mayor Torres said that Bernalillo applied for a Water Project Fund loan for an arsenic-treatment project but missed qualifying by one point because the application lacked a preliminary engineering report (PER). The town did not produce the report due to the expense and the fact that other funding programs it was applying to did not require it. Members expressed unease that the loan application process allows for an applicant to miss selection by so small a margin without being timely warned of such a deficiency. Committee members commented that there should be fewer application inconsistencies among funding programs and that a government's fiscal reticence, like that exhibited in this case by Bernalillo, should not necessarily be penalized. Ms. Russel responded that the Water Trust Board (WTB) added the PER requirement in 2013 to better understand a project's design and feasibility and that the requirement aligns with most corollary federal programs.

Ms. Russel and Mr. Coalter described some steps that the WTB and the NMFA have taken to improve the Water Project Fund loan application process. Ms. Russel said that the WTB wants to clarify its application requirements by producing documents that delineate, for each type of project, relevant policy and criteria. The documents will be available for public comment in September and for the committee's review in October. Mr. Coalter and Ms. Russel added that, to make the application process easier, the NMFA: 1) added staff, some of whom possess regional expertise, who are dedicated to helping applicants; 2) created a regularly monitored email account to improve communication; 3) added a frequently-asked-questions section to its web site; 4) offered statewide training; and 5) consolidated all water programs under Ms. Russel's management. Committee members said that their clear understanding of application requirements helps them in their work with constituents. A committee member urged the mayor and other local government representatives to communicate to their representatives suggestions for improving the application process and, during legislative sessions, input on the project authorization bill.

***Flood control; hold harmless phase-out.*** Mayor Torres said that Bernalillo uses property tax revenue to repay the bonds sold for its flood control projects. He also indicated that neither the federal nor the state government helped much in Bernalillo's post-flood recovery; and after Hurricane Katrina, the Federal Emergency Management Agency reevaluated the Bernalillo area and designated much of it a flood plain, thereby requiring many residents to buy flood insurance. Mayor Torres said that Bernalillo has not exercised its right to increase its gross receipts tax (GRT) rate to offset the phase-out of hold harmless payments because, given its population size, it is not subject to that phase-out.

## **Audit Requirements for Local Governments**

Sunalei Stewart, chief of staff, Office of the State Auditor (OSA), and Miranda Mascarenas, audit supervisor, OSA, presented an overview as follows of: the OSA; audit requirements for entities under the OSA's jurisdiction; the OSA's efforts to improve audit compliance; and recent audit findings.

***Overview of the OSA.*** Referencing an organizational chart, Mr. Stewart said that the OSA is a relatively small agency with a relatively small budget but a big mandate. Besides the small budget, the office has some vacancies. Vacancies can be difficult to fill with certified public accountants (CPAs) because private-sector employers are generally able to pay CPAs more.

A constitutional provision, a judicial interpretation of that provision and the Audit Act grant the OSA broad, independent authority to: examine the financial affairs of entities that receive public money; conduct special investigations; and regulate the accounting industry. Most entities under the OSA's jurisdiction must have an annual audit conducted either by the OSA or an independent public auditor. The OSA reviews outsourced audits and conducts special audits in cases where an outsourced audit reveals problems. In addition, an office-maintained fraud-reporting hotline generates insight into misfeasance to which the OSA responds by conducting special investigations. State Auditor Timothy Keller has adopted and expanded the previous auditor's fraud-finding initiatives and initiated ongoing efforts to: 1) improve accountability; 2) cause a reduction in the number of findings, or indications of a deficiency or noncompliance, in audited entities' audits; 3) address chronic issues in those entities' accounting practices; 4) improve the office's accessibility and responsiveness to entities and contracted auditors, including through the establishment of an online portal for those auditors; 5) establish and maintain a government accountability office to, in part, provide the public with information on use of public money; and 6) support entities at risk of not timely complying with reporting requirements.

***Audit requirements.*** Under the tiered reporting requirements, some smaller entities subject to the Audit Act are relieved of the requirement to annually undergo a full audit and are subject instead to lower levels of review — including self-certification and reduced-scrutiny examination — that cost considerably less than a full audit. The OSA does not help determine whether an entity receives funding under the terms of the executive order establishing conditions for receiving capital outlay appropriations, but rather determines whether an entity met its reporting deadline. An entity is included on the OSA's "at risk" list simply for failing to meet that deadline, rather than for any reason related to the content of its report.

***OSA's efforts to improve compliance.*** The OSA strives to improve compliance with reporting requirements by: 1) providing grants for reporting expenses to small entities with financial hardship; 2) helping entities engage CPAs; 3) training entities and broadly publicizing submission deadlines; and 4) working as an intermediary between funding agencies and entities struggling with reporting compliance to address audit-related funding barriers. For the first time,

the legislature in 2015 authorized the state auditor to provide grants to small entities to meet their reporting requirements. Implementation was not as smooth as had been hoped because of the initiative's novelty and hurdles associated with the transition between administrations. The OSA expects in the future to advertise the grants more widely and award them both more efficiently and to a broader array of entities.

***Audit findings.*** Of the more than 400 audits conducted, about 94 percent received an unmodified opinion, which reflects the highest level of compliance. Twenty-eight percent had no findings. In all, there were about 2,000 findings, about 40 percent of which were repeat findings. The OSA plans to: track the nature and frequency of findings and address the most prevalent needs for corrective action; and, shortly, issue a comprehensive findings report.

### Questions and Discussion

On questioning, the presenters and committee members addressed the following topics.

***Small-entity financial assistance and examination.*** Mr. Stewart indicated that: 1) his understanding is that \$160,000 was appropriated for small-entity financial assistance from the general fund as an addition to the OSA's budget; 2) the actual need for such assistance may exceed \$300,000; 3) of the 50 or so entities that applied, about 31 were awarded grants; 4) some applicants were ineligible because they sought reimbursement for past audit expenses; 5) the OSA awarded the grants to entities that were behind on their reporting and awarded amounts that varied based on factors such as the number of years overdue in reporting and the cost of that reporting; and 6) the office believes that through increased advertising, more applicants representing a broader geographic and categorical range will apply. Mr. Stewart agreed to follow up on the question of whether the award money is allocated in particular amounts by entity type. A committee member commented that, to that member's knowledge, only one grant was awarded to a small entity south of I-40.

***Motion to communicate committee's recommendation for ongoing funding for small-entity financial assistance.*** Following a comment on the importance of helping small entities with scarce human and financial resources secure funding for projects, especially those that meet critical water needs, a committee member made a motion to send a letter from the committee to the house and senate leaders and the chairs of the House Appropriations and Finance Committee, the Senate Finance Committee and the Legislative Finance Committee communicating the committee's support for ongoing future appropriations to the OSA for its small-entity financial assistance program. The motion was seconded and passed with no objection.

***Tiered reporting.*** Mr. Stewart explained that the tiered reporting system was established to improve efficiency. The system includes, at its most basic level, self-certification, and at higher levels, "agreed upon procedures", which are stipulated reporting areas. The requirements for entities at tiers below full-audit reporting range widely. Committee members remarked that the system has helped land grants; expressed gratitude toward the OSA for its outreach to small

entities; and suggested that an OSA representative give a presentation to the interim Land Grant Committee.

**Reporting noncompliance.** A committee member commented that small entities sometimes fall out of compliance with reporting requirements because they struggle to find and keep high-quality auditors. Another committee member stressed the importance of legislators communicating to entities within their districts about reporting deadlines.

Mr. Stewart stated that the Public Education Department (PED) has not submitted its FY 2014 audit because a dispute between the department and its auditor interfered with the audit's completion. The PED is suing that auditor. Meanwhile, the OSA has approved a contract between the PED and a different auditor to complete that year's audit. Mr. Stewart said that he did not know whether the PED would be able to meet the upcoming deadline for its FY 2015 audit. Some committee members found it troubling that small entities are harshly penalized for falling out of compliance while an agency the size of the PED avoids any repercussion for a similar failing.

Committee members expressed concern about Española's repeated reporting failures and the subsequent freeze on receiving capital outlay appropriations. A committee member attributed the problem in part to the city's high needs and low budget. Mr. Stewart said that the OSA is working with Española to bring it into compliance, a time-consuming process, and is monitoring the situation closely.

**Findings.** To address the problem of repeat findings, Mr. Stewart said that the OSA: 1) can promulgate a rule requiring that when a contracted auditor finds an issue, it asks the examined entity for a specific corrective action plan; and 2) is drawing more public attention to entities' findings by making readily available easy-to-read audit-related information. He added that he does not believe that legislative action is necessary now to address the problem of repeat findings, but the legislature can play a role in the effort to improve compliance by considering a state agency's audit findings in determining how much money to appropriate to it. He also mentioned that the state's 2014 Comprehensive Annual Financial Report, released that day, was "disclaimed", meaning that the state's financial statements cannot be relied on. Several committee members found the news troubling and stressed the need for the state to improve its accounting.

**OSA's relationship to other agencies.** When asked whether the OSA coordinates with other funding-related agencies, such as the Department of Finance and Administration (DFA), the United States Department of Agriculture (USDA) and the NMFA, Mr. Stewart responded that the OSA has a narrow lens and that those agencies generally focus on other aspects of funding qualification. Nonetheless, the OSA communicates regularly with the DFA and maintains a good relationship with the other agencies.

***OSA staffing issues.*** Mr. Stewart reported that the OSA has historically experienced high turnover among its personnel because the job market is tight for CPAs, who can earn higher wages in the private sector. Thirty-one of its 35 positions are currently filled. Eighteen staff members began in or after January. To address its staffing issues, the OSA works with the University of New Mexico's Anderson School of Management to promote the profession, and it plans to request an increase in its appropriation for personnel. A committee member suggested that the OSA collaborate with the Higher Education Department to address the need to develop a work force of CPAs in the state.

### **City of Rio Rancho Capital Projects Funded Through the NMFA**

Greggory D. Hull, mayor, City of Rio Rancho, and Mr. Dillenback talked about projects that the City of Rio Rancho has financed through the NMFA since 2011. They aggregate to \$28 million in loans and \$3.8 million in Water Trust Fund grants and loans. The projects involve: purchases of water rights, vehicles, equipment and a fire-and-rescue administration building; water infrastructure; and restructure of a loan. A project pending approval in the fall would allow the city to inject recycled water into the aquifer. The initiative constitutes a key part of the city's water management plan.

### **Questions and Discussion**

On questioning, the presenters, Peter Wells, assistant city manager, City of Rio Rancho, who was in the audience, and committee members addressed the following topics.

***Advanced water treatment project; water rights.*** A committee member expressed surprise that the Office of the State Engineer (OSE) approved Rio Rancho's injection of recycled water into the aquifer. The committee member spoke of the difficulty that a company from the petroleum industry had with getting such approval within the committee member's district. Mr. Wells suggested that the difference in outcomes was attributable to the mining activity in the cited case. He added that the city worked with the OSE and the Department of Environment for five years to get the necessary permits to use the water treatment technology to replace water in the aquifer and that the replacement helps the city meet its state draw-down/replacement requirements. Mayor Hull expressed willingness to discuss further the city's experience, noted that water reuse is a major component of the city's conservation plan and added that the city actively buys water rights, most of which are from agricultural properties along the river valley. Several committee members advised the city to ensure that it was buying only properly validated "wet" water rights, as opposed to "paper" water rights. A committee member expressed his understanding that there are no "wet" water rights in the middle Rio Grande in the absence of adjudication. Mayor Hull said that the city is being careful about such acquisitions. Lastly, Mr. Wells explained that Intel's water-use agreements are between it and the state, not the city, but the city does supply some potable water to the company.

***GRT revenue; hold harmless phase-out.*** Mayor Hull reported that the city has seen a slight increase in GRT revenue in the last few months, much of that attributed to new construction and an increase in retail sales. The mayor explained that the City of Rio Rancho has



historically had substantial "leakage", i.e., loss of potential tax revenue, to other municipalities. He added that the city wants to avoid imposing a hold harmless GRT rate increase and instead rely on alternate revenue streams. Committee members expressed skepticism about those increases, citing as their reasons that in some cases they produce a windfall, and in others, they hamper the economy.

***Economic activity; road improvements.*** Mayor Hull said that Hewlett-Packard and a new company have generated much activity in the city's center; activity at the Santa Ana Star Center events center, which is under new management, has increased substantially lately; and the city is pursuing funding for improved roads and sewage and drainage lines elsewhere throughout the city. He also advocated for a proposed but not yet approved Paseo del Volcan extension project, saying that it would improve access to the center and stimulate job creation and further transportation improvements. A committee member requested that Mayor Hull communicate to the legislature suggested ways to pay for roads, a topic on which the Transportation Infrastructure Revenue Subcommittee focuses.

### **WTB Update and Local Water Projects**

Ms. Russel presented an overview as follows of the 2016 WTB application cycle and some background on historic changes to the application time line and to WTB policy. Many of those changes were made in response to the legislature's, applicant entities' and program administrators' concerns about timing, efficiency, efficacy, information-collection needs, project-list refinement, transparency and ease in the application process.

***Proposed changes to WTB policies.*** Ms. Russel highlighted the major concerns raised since 2013 in response to the WTB's requests for public comment on proposed changes to WTB policies and its application process. Namely, many responders articulated their opposition to: 1) the asset management plan submission requirement, saying, in part, that it was overly burdensome and unnecessary; 2) certain project governance requirements; 3) certain planning document submission requirements; and 4) certain requirements related to project scope and financing. Two WTB task forces have been working on revising WTB policies in response to comments and recommendations.

***2016 application schedule.*** Ms. Russel noted during her review of the 2016 WTB application schedule that the new time line allows more time for targeted training intended to improve customer service and outreach.

### **Questions and Discussion**

On questioning, Ms. Russel and committee members addressed the following topics.

***Asset management plan submission requirement.*** Ms. Russel indicated that it is likely that an asset management plan will remain part of the application requirement. She named as factors that can help applicants meet that requirement Department of Environment technical contractors, LGPF grants and a longer application period. Ms. Russel reviewed the types of

activity eligible for grants (which number about 50 to 60 per year) made under the LGPF. A member commented that the requirement sometimes challenges smaller applicants, namely, mutual domestic water consumers associations, which often are represented by volunteers or people with less expertise and whose boards sometimes change frequently.

***Project authorization bill; WTB composition.*** Committee members expressed concern about the usurpation of the legislature's appropriation power that occurs when the WTB requests the passage of a water projects bill that lists essentially all funding applicants, regardless of qualifications or likelihood of final approval. Legislators thus lack the knowledge of which projects will end up being funded, and by passing such a bill, the legislature thereby gives blanket authority to the executive branch to determine water project funding without legislative oversight, since the WTB consists primarily of cabinet secretaries and governor appointees; no legislative appointees serve on the WTB. Several committee members echoed the sentiments that: 1) there should be one or more legislatively appointed members on the WTB; and 2) the legislature should play a greater role in the project-selection process.

Ms. Russel indicated that for the current application period, the committee will see a broad project list. Time and circumstances do not allow for the WTB to present to the committee this interim a vetted list of project applicants. However, a refined list will be available to the full legislature in January, and the process could change to conform to the committee's request to see a refined list during the interim.

## **Minutes**

On a motion made and seconded, the minutes of the committee's July meeting were approved without objection.

## **Village of Corrales, Sandoval County and City of Albuquerque Capital Projects Funded Through the NMFA**

Scott Kominiak, mayor, Village of Corrales, Phil Rios, county manager, Sandoval County, and Mr. Dillenback reviewed projects that Corrales, Sandoval County and Albuquerque have financed through the NMFA.

***Corrales projects.*** Mayor Kominiak described a PPRF loan that Corrales received in 2007 for construction and maintenance of various roads, bikeways, trails and public safety facilities and a 2011 PPRF loan to design, improve and construct roadways and intersections.

***Sandoval County projects.*** Mr. Rios described two major initiatives that the county financed through the NMFA: a juvenile detention facility and a landfill. The juvenile detention facility in Cuba benefits Native American youths through rehabilitation and education. The building is leased to an organization, AMI-KIDS, that contracts with the Federal Bureau of Prisons to provide the services. The presence of the facility stimulates Cuba's and the surrounding region's economies. Mr. Rios cited evidence of the program's success and invited

the committee to visit the facility. Moving on to the second initiative, Mr. Rios described loans secured to refund existing waste revenue bonds, expand its landfill and buy a compactor.

***Albuquerque projects.*** Mr. Dillenback spoke on behalf of the City of Albuquerque, which, he said, was unable to send a staff person with sufficient knowledge of the PPRF program to the meeting. He remarked that many people are surprised to learn that a local government as large as Albuquerque would finance projects through the NMFA. He stated that the city has been astute at recognizing when the NMFA can provide it with a beneficial financing arrangement, and he highlighted some of Albuquerque's NMFA-financed initiatives, which include: 1) a 2011 PPRF loan for a new fire station; 2) 2009 and 2011 airport refunding loans; and 3) 2011 refunding and improvement revenue bonds. Revenue from the 2011 bonds paid for capital improvements to the convention center and Civic Plaza and for land acquisition. The NMFA has made 25 PPRF loans totaling almost \$430 million to six entities within Bernalillo County and 87 PPRF loans totaling over \$164 million to 16 entities within Sandoval County.

#### Questions and Discussion

On questioning, the presenters and committee members addressed the following topics.

***AMI-KIDS.*** Mr. Rios described the AMI-KIDS initiative as a public-private partnership through which the mostly Native American youths sentenced by judges to participate in the program pursue graduation in a military-style system. He added that the county recognized the need for such a program a few years ago, explored ways to implement it, partnered with AMI-KIDS, which receives a grant from the federal government to operate the program, and compared available financing rates. The rate offered by the NMFA was the most favorable. Members praised the reported success of AMI-KIDS and programs like it that reduce recidivism. A member encouraged others to actively champion such programs.

#### **NMFA and Leveraging Federal Funds**

Ms. Russel gave a presentation as follows on some programs that feature a federal-fund leveraging component.

***Drinking Water State Revolving Loan Fund.*** The NMFA partners with the Department of Environment to administer money received annually from the federal Environmental Protection Agency. The money is used to make loans for public water system infrastructure. To date, the federal government has appropriated \$172.5 million, and the state \$31.5 million, for the program in New Mexico.

***New markets tax credits; Economic Development Revolving Fund.*** The NMFA participates in new markets tax credits, a federal program, by virtue of the Statewide Economic Development Finance Act (SWEDFA). To administer the program, the NMFA formed Finance New Mexico, LLC, in partnership with New Mexico Community Capital. Finance New Mexico has received three allocations totaling \$201 million of federal new markets tax credits; approximately \$151 million of that has been invested.

The SWEDFA provides also for the Economic Development Revolving Fund and the administration of the Smart Money and the Small Business Credit Initiative, or Collateral Support, programs. The state has appropriated a net \$5.1 million to the fund for the Smart Money Program, and the fund has received over \$13 million from the federal government for the Collateral Support Program. Money from the fund is used to fund participation in loans.

***USDA infrastructure and guarantee programs.*** The USDA operates programs that earmark money annually for colonias infrastructure and tribal infrastructure projects and that guarantee loans to small businesses in rural areas. Loans range from about \$200,000 to \$5 million and average about \$3 million.

***U.S. Small Business Administration (SBA) 7(a) loan guarantee program; SBA 504 program.*** Under the SBA 7(a) Loan Program, qualified lenders receive federal guarantees of up to 85 percent for loans made to qualifying small businesses. Despite robust nationwide participation in the program, participation in New Mexico has waned.

Under the SBA CDC/504 Program, a third-party community development corporation lends money to qualified businesses to buy land, buildings and equipment. The project assets being financed are used as collateral, and personal guarantees are required. Unlike the SBA loan guarantee program, the SBA CDC/504 Program can blend with the Collateral Support and the Smart Money loan participation programs. For some reason, there has been a significant decline recently in SBA CDC/504 Program utilization in New Mexico.

#### Questions and Discussion

On questioning, Ms. Russel and committee members addressed the following topics.

***Economic development loan programs.*** The NMFA partners with the Economic Development Department (EDD) to administer SWEDFA-enabled programs. The EDD certifies projects, and both agencies market the programs. A committee member suggested that the drop in participation in the loan programs could be attributed to increased difficulty — namely, more stringent rules and higher collateral requirements — in securing loans. The committee member noted that credit unions, whose commercial activity has risen, are additional sources for small-business loans. Ms. Russel responded that credit unions are eligible to participate in NMFA programs.

***Commercial building space.*** Ms. Russel indicated that the NMFA does not see many loans for speculative commercial building space construction because most federal programs other than the Smart Money Program require that buildings be owner-occupied, not leased. When asked by a committee member whether the state could develop a program to promote and help satisfy a need for such construction, Ms. Russel said that the idea would require the state to make major modifications to its finance programs.

The committee recessed at 3:15 p.m.

## **Friday, August 14**

The committee reconvened at 9:35 a.m., with Representative Powdrell-Culbert chairing the meeting. Representative Powdrell-Culbert recognized that it was national Navajo Code Talkers Day and invited Senator Pinto to speak about his experience as a code talker. The committee applauded Senator Pinto for his service in that capacity.

### **Pueblo Capital Projects Funded Through the NMFA**

Anthony Chewiwi, lieutenant governor, Pueblo of Isleta, Kurt Weber, treasurer, Pueblo of Isleta, Daryl Candelaria, tribal administrator, Pueblo of San Felipe, Lawrence Montoya, governor, Pueblo of Santa Ana, Robert Ortiz, community development administrator, Pueblo of Santa Ana, and Mr. Dillenback gave a presentation on NMFA-funded capital projects in their respective pueblos.

***Pueblo of Isleta projects.*** Lieutenant Governor Chewiwi described a tribal administrative complex project that the Pueblo of Isleta undertook with a PPRF loan it secured in 2010. The complex houses the pueblo's police and fire departments, tribal and appellate courts, administrative offices, council chambers and wellness center. Before the state-of-the-art complex was built, these programs were housed in substandard facilities. The complex is powered by solar energy and has an exterior design that evokes an unfinished woven basket, which signify that the pueblo is looking optimistically toward its future. Mr. Weber described terms of the project loan, saying that the pueblo pledged gasoline and cigarette tax revenues to secure part of it.

Lieutenant Governor Chewiwi also described an island-removal project that the pueblo undertook with money from the Water Project Fund. The island-removal project included the clearing of silt buildup and the redirecting of water to farming communities. He added that many people visiting the pueblo from around the world ask how the pueblo preserves its culture. The answer, he said, is that the pueblo actively maintains its traditions. They include a longstanding reverence toward the river, which is a critical aspect of the pueblo's agricultural roots and its historic position as a center of tribal trade.

***Pueblo of San Felipe projects.*** Mr. Candelaria gave an overview of the Pueblo of San Felipe's wastewater treatment plant project financed through a 2007 PPRF loan. The plant was completed in 2008 and became operational shortly thereafter. The main plant is a state-of-the-art facility. Lift stations located throughout the pueblo operate at all times and help move water through the system. The system also includes: an electrical room where the system is controlled; a "grit chamber" to treat objects that enter the system; anoxic basins to introduce oxygen to the treated water; filters; storage tanks; an ultraviolet system; reuse water lines; blowers; and a generator. Having the system in place has helped with the pueblo's population growth and infrastructure for the new subdivision.

***Pueblo of Santa Ana projects.*** Mr. Ortiz discussed both the Pueblo of Santa Ana's wastewater treatment plant project under way that was financed through a 2014 PPRF loan and the pueblo's 2014 refunding loan. Money for the project, which is in its engineering phase, is being repaid at a very advantageous rate compared to market rates offered by traditional banks. The Santa Ana utility authority will operate the plant, which will treat wastewater from the many businesses located on the pueblo. Also, the 2014 PPRF loan allowed the pueblo to save money and get out from a restrictive indenture by refunding bonds that were issued for the construction of the Tamaya Resort and Spa and the Twin Warriors Golf Course.

Governor Montoya thanked the NMFA for its financing assistance and gave an overview of the pueblo's initiatives. The pueblo has a diversified economy. The wastewater treatment plant will help with the pueblo's water conservation efforts and business development initiatives. One business initiative coming to fruition is a collaboration with the Gruet Winery to establish vineyards. Some of the pueblo's land is well-suited to grape growing, as evidenced by the Spanish settlers' successful grape production there. In addition, situated on pueblo land are a golf course, soccer complex, fire station, casino, resort and the Notah Begay III Foundation. Governor Montoya noted that many businesses on the pueblo employ non-Santa Ana pueblo members and, thus, benefit a larger community.

***Pueblo of Santo Domingo projects.*** Mr. Dillenback spoke about several NMFA-financed Pueblo of Santo Domingo projects on behalf of the pueblo, which, he said, was unable to send a representative to the meeting. The pueblo took out a PPRF loan in 2005 to build a health care facility for dialysis services, outpatient treatment and tribal health programs. It closed on another PPRF loan in 2010 to build a safety complex featuring emergency medical services, a fire department and a police station. Capital outlay and tribal infrastructure funding helped pay for the safety complex. The health care facility and the safety complex complement one another in that together, they offer post-accident services close to a busy stretch of I-25. The pueblo's only outstanding PPRF loan is one closed on in 2010 to build a Head Start facility.

#### Questions and Discussion

On questioning, the presenters and committee members addressed the following topics.

***Pueblo of Isleta projects.*** Several committee members praised the pueblo's initiatives in building the tribal administrative complex as well as a new senior center and an elementary school. They praised Lieutenant Governor Chewiwi's and the pueblo's vision and dedication to the projects. Other committee members: 1) commended the pueblo for its island-removal efforts, saying that the initiative helps control flooding and helps communities downriver from Isleta; and 2) pointed out that tribal gasoline and cigarette taxes are obligated for bond repayment and should not be viewed by other entities as viable sources of revenue for other purposes. Lieutenant Governor Chewiwi said that the administrative building is about 60,000 square feet and sits on about 14.5 acres. He closed by inviting the committee to the pueblo's San Augustin fiesta on August 28, thanking the NMFA for its help and expressing support for ongoing dialogue.

***Pueblo of San Felipe projects.*** Mr. Candelaria said that: 1) the pueblo's wastewater treatment system was designed to accommodate growth; 2) it is running below capacity and would work better if more water were running through it; 3) it is possible that Algodones could also use the system; 4) the project loan is being repaid with gasoline tax revenue; and 5) the pueblo is exploring ways businesses and residents might help offset some of the costs.

***Pueblo of Santa Ana projects.*** In response to a committee member's questions: 1) Governor Montoya said that: the pueblo is under way in efforts to improve the ecological health of the pueblo's stretch of bosque, in part to prevent wildfires, and is encouraging neighboring pueblos to join in similar efforts; the soccer complex hosts national and regional soccer competitions that regularly draw between 200 and 300 people; the pueblo found it much more feasible to finance the resort and golf course through the NMFA than through outside lenders; and the pueblo is looking into developing a signature wine variety for its resort, developing a wine-tasting facility and microbrewery and sponsoring a wine festival; 2) Mr. Dillenback said that: the PPRF program does not have minimum or maximum local match requirements; and the terms "refinance" and "refund" in the present context are synonymous; 3) Mr. Coalter said that, in determining the terms of PPRF loans, the NMFA considers an entity's revenue stream and how much it is able to match; and 4) Mr. Ortiz said that: the wastewater treatment plant will most likely be finished in 2016; the pueblo fights wildfires on pueblo land, sometimes with the federal Bureau of Indian Affairs' help; and the pueblo has historically worked well with the state and the county on initiatives such as getting a fire truck and helicopter, building a fire station, providing emergency medical services and developing a wellness facility.

Committee members commented that: 1) the wastewater treatment plant initiative is laudable for its role in preventing contamination, protecting the environment and conserving water; 2) when sovereign governments like the tribes and state work together, the benefits are multifold; and 3) forest-thinning is key to improving water and soil health and preventing wildfires.

***Pueblo of Santo Domingo projects.*** A member commented on the great need of the pueblo for providing health and safety services and the ongoing need for collaboration between the state and its tribes.

### **Adjournment**

There being no further business before the committee, the third meeting of the NMFA Oversight Committee adjourned at 11:25 a.m.